

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6851**

**BILL NUMBER:** HB 1365

**DATE PREPARED:** Dec 19, 1998

**BILL AMENDED:**

**SUBJECT:** Employer Sponsored Children's Insurance Subsidies.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:**     **GENERAL**  
                              **X** **DEDICATED**  
                              **X** **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Children's Health Trust Fund (Fund) for the purpose of subsidizing children's health programs. The bill also provides for subsidies to be paid from the Fund for the employee's share of premiums and costs of dependent child coverage under employer sponsored group health plans for children who are eligible for the Children's Health Insurance Program (CHIP). The bill provides certain requirements that must be met before a subsidy may be paid. The bill also requires the Office of the Children's Health Insurance Program to annually evaluate the number of children covered under CHIP who were previously covered under an employer-sponsored group health plan.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** This bill establishes the Children's Health Trust Fund to receive, hold, and disburse funds from the Tobacco Settlement. The funds can be used to subsidize programs aimed toward improving children's health and children's health care. Some of the funds are to be used for the specific purposes of subsidizing premiums for dependent coverage of children eligible for the CHIP program through employer-sponsored group health plans. Indiana's share of the payments from the Tobacco Settlement may total up to \$3,996,355,551 over 27 years. In addition, states like Indiana which had already begun litigation with the tobacco companies prior to the settlement may receive some portion of an additional \$8.6 billion.

To the extent that this program can prevent "crowd-out" (people leaving private insurance to join the public insurance program), these expenditures can reduce the expenditures for health care services through the CHIP Program.

The Fund is to be administered by the Family and Social Services Administration. Money in the Fund does not revert to the state General Fund at the end of a state fiscal year.

Indiana's share of the payments from the Tobacco Settlement are to total \$3,996,355,551 over 27 years

according to the schedule listed in the following table. Whether all of these dollars will be available to Indiana is still in question at this time. The federal government is claiming that they are entitled to a share of the settlement award as their share of the recovery of Medicaid expenditures. This issue has not yet been resolved. The federal matching percentage rate for Indiana Medicaid expenditures is typically around 61%.

**Annual Payments to Indiana from the Tobacco Settlement, 1999 through 2025.**

<b>Year</b>	<b>Indiana Share (Annual)</b>
<b>1999</b>	\$48,955,278
<b>2000</b>	130,787,086
<b>2001</b>	141,229,043
<b>2002</b>	169,574,859
<b>2003</b>	171,179,702
<b>Each Year, 2004 to 2007</b>	142,867,821
<b>Each Year, 2008 to 2017</b>	145,703,147
<b>Each Year, 2018 to 2025</b>	163,265,853
<b>Total</b>	<b>\$3,996,355,551</b>
* The federal government is claiming that some portion of the award must be returned to the federal government as their share of the recovery of Medicaid expenditures. This issue has not yet been resolved. The federal matching percentage rate for Indiana Medicaid expenditures is typically around 61%.	

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding revenues from the Tobacco Settlement.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration

**Local Agencies Affected:**

**Information Sources:** J.D. Lux, Office of the Attorney General, 232-6201.